VZCZCXRO5188
RR RUEHTRO
DE RUEHIN #4201 3620910
ZNR UUUUU ZZH
R 280910Z DEC 06
FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC 3564
INFO RUEHBJ/AMEMBASSY BEIJING 6136
RUEHBY/AMEMBASSY CANBERRA 4397
RUEHJA/AMEMBASSY JAKARTA 3969
RUEHUL/AMEMBASSY SEOUL 8354
RUEHGP/AMEMBASSY SINGAPORE 6728
RUEHKO/AMEMBASSY TOKYO 8328
RUEHTRO/AMEMBASSY TRIPOLI 0005

UNCLAS TAIPEI 004201

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DOE OIC FOR PUMPHREY/PRICE

E.O. 12958: N/A
TAGS: ECON ENRG EPET PREL LY TW
SUBJECT: TAIWAN GRANTED ACCESS TO LIBYAN OIL

REF: TAIPEI 4158

¶1. (U) According to Dec. 22 news reports, Taiwan's state-owned Chinese Petroleum Corporation (CPC) won oil exploration rights in Libya. CPC will invest US$39 million over the next three years explore and develop the Murzuq 162 block oil concession. In September, Libya invited bids for oil exploration in 41 blocks. CPC submitted bids for two blocks to the Libyan National Oil Corp (NOC). It won the Murzuq block but was slightly outbid on the Ghadames 82 block. The Murzuq Basin is in Western Libya, 600 km south-west of Tripoli and produces about 5 percent of Libya's oil. CPC will conduct seismic surveys along 1600 km and drill three test wells. The 4,300 square kilometer area is estimated to contain up to 5 billion barrels of oil. A contract is scheduled to be signed in mid-January of 2007 between CPC and the Libyan National Oil Corp. Other bid winners included Russia, Canada and Germany.

ENERGY DEPENDENCY AND INVESTMENT POLICY

¶2. (U) Taiwan imports virtually all of the oil it consumes, 70 percent of which comes from the Middle East and the rest from Southeast Asia, Australia, Africa and Central Asia. In 2005 imports amounted to 221.6 million barrels of crude oil. This heavy dependence on foreign energy sources, the rising cost of crude oil and the increasing international trend of bi-lateral energy agreements between nations instead of open markets, has driven Taiwan to seek reliable sources of oil and gas. CPC initiated the Libyan venture soon after sanctions were lifted from the North African country in 2004.

JOINT VENTURES TO LOWER RISKS

¶3. (U) CPC, through its wholly owned subsidiary, Overseas Petroleum Investment Corporation (OPIC), has invested in energy projects in Australia, Indonesia, Ecuador, Venezuela, and Chad. Most of the investment has been in the form of joint ventures with the oil majors or state oil companies in the host countries. CPC sources indicated to AIT that in Australia CPC owns only 25 percent of its oil investment project, in Indonesia 17 percent, in Venezuela 7.5 percent, in Ecuador 30-31 percent. In Chad, CPC holds a 70 percent share of the investment together with Chadian authorities but plans to reduce that share to 30 percent. According to CPC sources, since CPC began investing in overseas oil it has made a net profit to date of NT$125 billion on NT$236 billion invested ($1.00 = NT$32.00). Currently, all oil from CPC's

overseas ventures is sold abroad since the cost of selling it on the local market would be prohibitive. CPC estimates that up to one third of its future revenue will be derived from overseas exploration.
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